

McLAREN INTERNATIONAL LIMITED

Report and Financial Statements

31 October 1993

**Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR**

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REPORT AND FINANCIAL STATEMENTS 1993

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

REPORT AND FINANCIAL STATEMENTS 1993

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

MA Ojeh (Saudi Arabian) (Chairman)
R Dennis (Managing)
RJ Illman
M Whitmarsh
A Ojeh (Saudi Arabian)
DP Trezise (American)
SC Brown
IG Murray

SECRETARY

RJ Illman

REGISTERED OFFICE

Woking Business Park
Albert Drive
Woking
Surrey
GU21 5JY

AUDITORS

Touche Ross & Co.
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements for the year ended 31 October 1993.

PRINCIPAL ACTIVITY

The company's principal activity during the year was that of participating in Formula One motor racing events throughout the world.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

Although McLaren won five Grand Prix in 1993 there was a heavy cost in achieving this resulting in the company incurring a financial loss.

RESULTS

The loss for the year after taxation amounted to £1,168,995 (1992 loss - £1,564,580).

FIXED ASSETS

The company's policy is to ensure that fixed assets are both available and appropriate to the needs of a Formula One Racing Team.

DIVIDENDS

The directors do not recommend the payment of a dividend. Accordingly the loss for the year of £1,168,995 (1992 loss - £1,564,580) has been transferred from reserves.

DIRECTORS

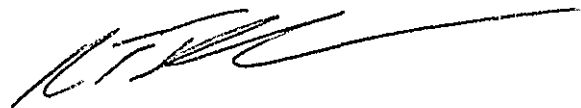
The membership of the Board is as set out on page 1. All directors served throughout the year.

None of the directors had any interests in the shares of the company during the year. Their interests in the parent company, TAG McLaren Holdings Limited, are shown in the accounts of that company. The directors had no interests in any other group company incorporated in Great Britain.

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Secretary

13/04/94

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chartered Accountants

Touche Ross & Co
Hill House
1 Little New Street
London EC4A 3TR

Telephone National 071 936 3000
International +44 71 936 3000
Telex 884739 TRUNDN G
Fax (Gp 3) 071 583 8517
LDE DX 599

McLAREN INTERNATIONAL LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 1993 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

13 Feb 1994

PROFIT AND LOSS ACCOUNT
Year ended 31 October 1993

	Note	1993 £	1992 £
TURNOVER - continuing operations	1	45,033,707	38,736,024
Cost of sales		(37,795,336)	(32,920,909)
Gross profit		<u>7,238,371</u>	<u>5,815,115</u>
Administrative expenses		(8,842,754)	(8,026,384)
OPERATING (LOSS)		(1,604,383)	(2,211,269)
- continuing operations		341,829	306,309
Other interest receivable and similar income		(460,395)	(305,370)
Interest payable and similar charges	3	<u>(35,950)</u>	<u>-</u>
Provision against inter company loans		(1,758,899)	(2,210,330)
(LOSS) ON ORDINARY ACTIVITIES	4	<u>589,904</u>	<u>645,750</u>
BEFORE TAXATION	5		
Tax credit on (loss) on ordinary activities		(1,168,995)	(1,564,580)
(LOSS) ON ORDINARY ACTIVITIES		<u>464,438</u>	<u>2,029,018</u>
AFTER TAXATION			
Profit and loss account brought forward		<u>(704,557)</u>	<u>464,438</u>
Profit and loss account carried forward			

The company has no recognised gains or losses other than the loss for the year.

BALANCE SHEET
31 October 1993

	Note	£	1993 £	£	1992 £
FIXED ASSETS					
Tangible assets	6		8,680,769		8,560,166
Investments	7		7,123,646		2,295,710
			<u>15,804,415</u>		<u>10,855,876</u>
CURRENT ASSETS					
Stocks	8	752,855		730,694	
Debtors	9	8,345,766		7,924,351	
Cash at bank and in hand		1,395,887		1,891,014	
		<u>10,494,508</u>		<u>10,546,059</u>	
CREDITORS: amounts falling due within one year					
Bank loans and overdrafts	12	1,578,314		1,393,696	
Trade creditors		1,960,941		1,011,455	
Amounts owed to group companies	10	3,422,393		2,068,262	
Other creditors including taxation and social security	11	1,565,311		1,929,172	
Accruals and deferred income		13,792,358		13,922,762	
		<u>22,319,317</u>		<u>20,325,347</u>	
NET CURRENT (LIABILITIES)			<u>(11,824,809)</u>		<u>(9,779,288)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,979,606		1,076,588
CREDITORS: amounts falling due after more than one year					
	12		(1,000,000)		-
PROVISIONS FOR LIABILITIES AND CHARGES					
	13		(634,013)		(562,000)
			<u>(654,407)</u>		<u>514,588</u>
CAPITAL AND RESERVES					
Called up share capital	14		50,150		50,150
Profit and loss account			(704,557)		464,438
			<u>(654,407)</u>		<u>514,588</u>

These financial statements were approved by the Board of Directors on 13th Feb 1994

Signed on behalf of the Board of Directors

Director

NOTES TO THE ACCOUNTS
Year ended 31 October 1993

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Depreciation

Depreciation is provided in equal annual instalments over the estimated useful lives of the assets at the following rates:

Fixtures, fittings, tools and equipment	20% of reducing balance
Plant and machinery	20% of reducing balance
Motor vehicles	25% of reducing balance
Leasehold premises and improvements	Written off over the life of the lease

Historic cars are not depreciated. No depreciation is provided until the assets are brought into use.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability will crystallise in the future.

Stocks

Stocks are valued at the lower of invoiced cost and net realisable value.

Turnover

Turnover represents sponsorship fees, other motor racing revenue receivable and sales by the company to outside customers excluding value added tax.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling at the end of the month in which the transaction took place. Foreign currency assets and liabilities are translated into sterling at the year end rates. All foreign currency differences are dealt with through the profit and loss account.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Fixed asset investments

The investments are unlisted and are stated at cost less any provision for permanent diminution in value.

NOTES TO THE ACCOUNTS

Year ended 31 October 1993

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1993 £	1992 £
Directors' emoluments		
Fees	-	-
Other emoluments	1,076,246	897,447
	<u>1,076,246</u>	<u>897,447</u>
Remuneration of the chairman	-	1,654
Remuneration of the highest paid director	<u>595,803</u>	<u>576,160</u>
Scale of other directors' remuneration	No.	No
£ 0 - £ 5,000	3	3
£ 10,001 - £ 15,000	-	1
£ 16,001 - £ 20,000	1	-
£ 145,001 - £ 150,000	-	1
£ 155,001 - £ 160,000	-	1
£ 210,001 - £ 215,000	1	-
£ 250,001 - £ 255,000	1	-
	<u>1</u>	<u>-</u>
Employee costs during the year (including directors)	£	£
Wages and salaries	8,261,001	7,369,301
Social security costs	<u>857,570</u>	<u>794,494</u>
Average number of persons employed	No.	No
Production	169	168
Administration	<u>70</u>	<u>63</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	1993 £	1992 £
Bank loans, overdrafts and other loans repayable within five years	<u>460,395</u>	<u>305,370</u>

NOTES TO THE ACCOUNTS

Year ended 31 October 1993

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1993 £	1992 £
Loss on ordinary activities before taxation is after charging/(crediting):		
Depreciation	1,359,454	1,187,129
Auditors' remuneration:		
- audit	11,198	15,236
- other services	20,422	31,855
Exchange translation (gain)/loss	(178,564)	73,688
Other operating leases	611,000	593,442

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1993 £	1992 £
United Kingdom corporation tax at 33% (1992 - 33%) based on the loss for the year	(435,515)	(603,000)
Group relief	(123,579)	-
Deferred taxation	46,893	(79,600)
Overseas taxation	59,716	43,250
Adjustment in respect of prior years:		
- corporation tax	(126,589)	(6,400)
- deferred tax	(10,830)	-
	<u>(589,904)</u>	<u>(645,750)</u>

6. TANGIBLE FIXED ASSETS

	Leasehold premises and improvements £	Plant and machinery £	Motor vehicles and historic cars £	Fixtures, fittings, tools and equipment £	Total £
Cost					
At 1 November 1992	2,951,093	2,361,477	2,940,981	4,689,080	12,942,631
Additions	60,526	250,457	198,446	983,236	1,492,665
Disposals	-	-	(33,430)	-	(33,430)
At 31 October 1993	<u>3,011,619</u>	<u>2,611,934</u>	<u>3,105,997</u>	<u>5,672,316</u>	<u>14,401,866</u>
Accumulated depreciation					
At 1 November 1992	406,075	1,099,809	443,198	2,433,383	4,382,465
Charge for the year	170,856	289,525	292,479	606,594	1,359,454
Disposals	-	-	(20,822)	-	(20,822)
At 31 October 1993	<u>576,931</u>	<u>1,389,334</u>	<u>714,855</u>	<u>3,039,977</u>	<u>5,721,097</u>
Net book value					
At 31 October 1993	<u>2,434,688</u>	<u>1,222,600</u>	<u>2,391,142</u>	<u>2,632,339</u>	<u>8,680,769</u>
At 31 October 1992	<u>2,545,018</u>	<u>1,261,668</u>	<u>2,497,783</u>	<u>2,255,697</u>	<u>8,560,166</u>

Historic cars are not depreciated. Their gross cost at 31 October 1993 is £1,297,333 (1992 - £1,249,939).

NOTES TO THE ACCOUNTS
Year ended 31 October 1993

7. INVESTMENTS HELD AS FIXED ASSETS

	1993 £	1992 £
Shares in group companies	5,923,646	95,710
Loans to group companies due after more than one year	1,200,000	2,200,000
	<u>7,123,646</u>	<u>2,295,710</u>
		Shares in group companies £
At 1 November 1992		95,710
Additions in year		<u>5,827,936</u>
At 31 October 1993		<u>5,923,646</u>

On 15 June 1993, the company acquired 100% of the issued ordinary share capital of Lydden Circuit Limited, a company which is incorporated and operates in the United Kingdom, as a motor racing circuit.

Other subsidiaries:

Name	Activity	Holding	Country of incorporation
Team McLaren Limited	Dormant	100%	Great Britain
Woodhurst Equipments Limited	Dormant	100%	Great Britain
Grand Prix Engineering Services Limited	Engineering	100%	Great Britain

All subsidiaries are registered in England and Wales. Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of a company registered in England and Wales.

The £1,200,000 (1992 - £2,200,000) of loans to group companies is made up of a £600,000 (1992 - £600,000) loan due after more than one year to McLaren Cars Limited, interest borne at 1% above Barclays Bank PLC base rate per annum, and a £600,000 (1992 - £1,600,000) loan due after more than one year to TAG Electronic Systems Limited (no interest borne).

These loans are shown in investments to reflect their long term nature.

8. STOCKS

	1993 £	1992 £
Raw materials and consumables	<u>752,855</u>	<u>730,694</u>
The replacement cost of stocks	<u>3,414,555</u>	<u>3,288,939</u>

NOTES TO THE ACCOUNTS
Year ended 31 October 1993

9. DEBTORS

	1993 £	1992 £
Trade debtors	955,520	385,859
Amounts owed by immediate parent company	87,707	73,615
Amounts owed by subsidiaries:		
- amounts falling due within one year	6,000	12,652
- amounts falling due after more than one year	179,906	150,054
Amounts owed by fellow subsidiaries	691,941	1,289,717
Other debtors	3,205,755	2,474,479
Prepayments and accrued income	3,218,937	3,537,975
	<u>8,345,766</u>	<u>7,924,351</u>

10. AMOUNTS OWED TO GROUP COMPANIES

	1993 £	1992 £
Owed to subsidiaries	316,382	179,177
Owed to fellow subsidiaries	3,106,011	1,889,085
	<u>3,422,393</u>	<u>2,068,262</u>

11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1993 £	1992 £
This heading comprises:		
Taxation and social security	1,565,311	1,929,172
	<u>1,565,311</u>	<u>1,929,172</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1993 £	1992 £
Bank loans	4,000,000	-
	<u>4,000,000</u>	<u>-</u>

The bank loan of £4,000,000 is secured by a legal mortgage over the entire share capital of Lydden Circuit Limited. Of the bank loans and overdraft due in less than one year £1,017,335 is covered by a legal charge over certain future income.

NOTES TO THE ACCOUNTS
Year ended 31 October 1993

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 November 1992 £	Charged to profit and loss account £	Adjustment in respect of prior years £	Balance at 31 October 1993 £
Provision against inter company loans	-	35,950	-	35,950
Deferred taxation:	562,000	46,893	(10,830)	598,063
	<u>562,000</u>	<u>82,843</u>	<u>(10,830)</u>	<u>634,013</u>

The amounts of deferred tax provided in the accounts are:

	1993 £	1992 £
Deferred taxation:		
Capital allowances in excess of depreciation	598,063	621,000
Other timing differences	-	(41,000)
Losses	-	(18,000)
	<u>598,063</u>	<u>562,000</u>

There are no unprovided deferred tax liabilities.

14. CALLED UP SHARE CAPITAL

	1993 £	1992 £
Authorised, allotted and fully paid ordinary shares of £1 each:		
30,090 'A' shares	30,090	30,090
20,060 'B' shares	20,060	20,060
	<u>50,150</u>	<u>50,150</u>

15. OPERATING LEASE COMMITMENTS

At 31 October 1993 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £
Leases which expire:	
Within one year	-
Within 2 to 5 years	37,000
After 5 years	<u>574,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 October 1993

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1993 £	1992 £
Loss for the financial year	(1,168,995)	(1,564,580)
Net reduction to shareholders' funds	(1,168,995)	(1,564,580)
Opening shareholders' funds	514,588	2,079,168
Closing shareholders' funds	(654,407)	514,588

17. PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company is TAG Group SA, a company incorporated in Luxembourg. This is also the parent undertaking of the largest group which includes the company and for which group accounts are prepared. The parent undertaking of the smallest such group is TAG McLaren Holdings Limited, a company registered in England and Wales. Copies of the group financial statements of TAG Group SA are available from TAG Group SA 41, Boulevard du Prince Henri, L-1724-Luxembourg. Copies of the group financial statements of TAG McLaren Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.